STATE OF ARIZONA FILED

JUL 21 2010

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEP	TOF INSURANCE
BY	

In the Matter of:

Docket No. 10A-095-INS

VICTORIA SPECIALTY INSURANCE COMPANY,

NAIC # 10777,

CONSENT ORDER

Respondent.

Examiners for the Department of Insurance (the "Department") conducted a target market conduct examination of Victoria Specialty Insurance Company ("VSIC"). In the Report of Target Market Conduct Examination of the Market Conduct Affairs of Victoria Specialty Insurance Company, the examiners allege that Victoria Specialty Insurance Company violated A.R.S. §§20-461, 20-462, 20-2110, and A.A.C. R20-6-801.

Victoria Specialty Insurance Company wishes to resolve this matter without formal proceedings, neither admits nor denies the following Findings of Fact and Conclusions of Law, and consents to the entry of the Order.

FINDINGS OF FACT

- 1. Victoria Specialty Insurance Company is authorized to transact property and casualty insurance pursuant to a Certificate of Authority issued by the Director.
- 2. The Director authorized the examiners to conduct a target market conduct examination of Victoria Specialty Insurance Company. The examination covered the time period from January 1, 2008 through December 31, 2008 and concluded on April 13, 2010. Based on their findings, the examiners prepared the "Report of Target Market Conduct Examination of Victoria Specialty Insurance Company" dated December 31, 2008.
 - 3. The examiners reviewed 52 of 545 private passenger automobile

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cancellations and 16 of 16 private passenger automobile non-renewals, cancelled or non-renewed for underwriting reasons during the time frame of the examination and found that VSIC failed to provide a compliant Summary of Rights for 52 cancellations and 2 non-renewals.

- 4. The examiners reviewed 50 of 443 private passenger automobile total loss claim files processed by the Company during the time frame of the examination and found that VSIC failed to correctly calculate and fully pay sales tax, title, registration, air quality and other fees payable in the settlement of 11 total losses.
- 5. During the review of the Company's private passenger automobile claim settlement practices, VSIC resettled 11 claims resulting in total restitution to claimants of \$756.36, plus \$108.19 interest. During the review the Company also completed a self- audit of the remaining total loss claims and made additional restitution payments of \$9,590.81, plus interest of \$1,590.07, on 105 total loss claims.
- 6. The examiners reviewed 100 of 2,998 private passenger automobile claim files settled during the time frame of the examination and found 13 claims-related documents and/or correspondence in which the Company failed to identify the appropriate insuring company.

CONCLUSIONS OF LAW

- 1. VSIC violated A.R.S. §20-2110 by failing to send policyholders a compliant Summary of Rights in the event of an adverse underwriting decision.
- 2. VSIC violated A.R.S §§20-461(A)(6), 20-462(A) and A.A.C. R20-6-801(H)(1)(b) by failing to correctly calculate and fully pay sales tax, title registration, air quality and other fees and interest payable in the settlement of total losses.
- 3. VSIC violated A.R.S. §20-461(A)(1) by failing to identify the appropriate insuring company on written claims related documents and correspondence.

4. Grounds exist for the entry of the following Order in accordance with A.R.S. §§20-220, 20-456 and 20-2117.

ORDER

IT IS HEREBY ORDERED THAT:

- 1. Victoria Specialty Insurance Company shall:
- a. provide insureds with a compliant Summary of Rights in the event of an adverse underwriting decision.
- b. correctly calculate and fully pay sales tax, title, registration, air quality and other fees payable in the settlement of total losses.
- c. correctly identify the appropriate insuring company on claims related documents and correspondence.
- 2. Within 90 days of the filed date of this Order, Victoria Specialty Insurance Company shall submit to the Arizona Department of Insurance, for approval, evidence that VSIC implemented corrections and communicated these corrections to the appropriate personnel, regarding the issues outlined in Paragraph 1 of the Order section of this Consent Order. Evidence of corrective action and communication thereof includes, but is not limited to, memos, bulletins, E-mails, correspondence, procedures manuals, print screens, and training materials.
- 3. The Department shall through authorized representatives, verify that VSIC has complied with all provisions of this Order.
- 4. VSIC shall pay a civil penalty of \$22,000.00 to the Director for remission to the State Treasurer for deposit in the State General Fund in accordance with A.R.S. §20-220(B). VSIC shall submit the civil penalty to the Market Oversight Division of the Department prior to the filing of this Order.

1	5. The Report of Target Market Examination of Victoria Specialty Insurance
2	Company of December 31, 2008, including the letter with their objections to the Report
3	of Examination, shall be filed with the Department upon the filing of this Order.
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7	Christina Urias
8	Director of Insurance
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CONSENT TO ORDER

- 1. Victoria Specialty Insurance Company has reviewed the foregoing Order.
- 2. Victoria Specialty Insurance Company admits the jurisdiction of the Director of Insurance, State of Arizona, neither admits nor denies the foregoing Findings of Fact and Conclusions of Law, and consents to the entry of the Order.
- 3. Victoria Specialty Insurance Company is aware of the right to a hearing, at which it may be represented by counsel, present evidence and cross-examine witnesses. Victoria Specialty Insurance Company irrevocably waives the right to such notice and hearing and to any court appeals related to this Order.
- 4. Victoria Specialty Insurance Company states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.
- 5. Victoria Specialty Insurance Company acknowledges that the acceptance of this Order by the Director of the Arizona Department of Insurance is solely for the purpose of settling this matter and does not preclude any other agency or officer of this state or its subdivisions or any other person from instituting proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

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to enter into this Ord								

VICTORIA SPECIALTY INSURANCE COMPANY

1	COPY of the foregoing mailed/delivered
2	this <u>_21st</u> day of <u>, 2010, to:</u>
3	Gerrie Marks
4	Deputy Director Mary Butterfield
5	Assistant Director Consumer Affairs Division
6	Helene I. Tomme Market Examinations Supervisor
7	Market Oversight Division
8	Dean Ehler Assistant Director
9	Property and Casualty Division Steve Ferguson
10	Assistant Director Financial Affairs Division
11	David Lee Chief Financial Examiner
12	Alexandra Shafer
13	Assistant Director Life and Health Division
14	Chuck Gregory Special Agent Supervisor
15	Investigations Division
16	DEDARTMENT OF INOURANGE
17	DEPARTMENT OF INSURANCE 2910 North 44th Street, Suite 210
	Phoenix, AZ 85018
18	
19	
20	Lorraine Diaz-Richardson Sr. Market Conduct Analyst
21	Victoria Specialty Insurance Company One Nationwide Plaza, 1-35-104
22	Columbus, Ohio 43215-2220
23	
24	2
25	Merrey Duston